BANKS AND CREDIT UNIONS
Regulatory Relief

Overview
The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides temporary regulatory relief to banks and credit unions in order to encourage them to continue to lend to households and businesses, and to modify existing loans for borrowers facing economic hardship.

Deposit and Share Insurance
The CARES Act authorizes the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) to provide unlimited deposit and share insurance on noninterest-bearing transaction accounts. It also allows the FDIC to guarantee outstanding bank issued debt. These authorities expire on December 31, 2020.

Temporary Lending Limit Waive
The CARES Act eliminates counterparty lending limits, allowing a bank to make unsecured loans to any single counterparty, including nonbank financial institutions, without limit at the discretion of the Office of the Comptroller of the Currency (OCC).

Temporary Regulatory Relief for Community Banks
The CARES Act requires the federal banking agencies to issue a rule lowering the Community Bank Leverage Ratio (CBLR) from 9% to 8% and provide a grace period to community banks that falls below the ratio during the national emergency related to the COVID-19 outbreak or December 31, 2020, whichever is sooner. The CLBR, which was set by a final rule in September 2019, permits highly capitalized banks with less than $10 billion in total consolidated assets to satisfy their regulatory capital requirements by maintaining the CBLR at the level established by the regulation, and therefore avoid calculating risk-based capital ratios.

Temporary Relief from Troubled Debt Restructuring Reporting
The CARES Act suspends the accounting requirements for loan modifications related to the COVID-19 pandemic from March 1, 2020, until December 31, 2020, or 60 days after the end of the public health emergency, whichever is sooner. As a result, banks and credit unions that modify loans would not be required to categorize these loan modifications as troubled debt restructurings (TDR). The suspension of TDR reporting only applies to loans that were not more than 30 days past due as of December 31, 2019. The law provides that the federal banking regulator shall defer to the determination of the financial institution to suspend TDR reporting for a particular loan modification.

Optional Temporary Relief from Current Expected Credit Losses
The CARES Act allows banks and credit unions to suspend the Current Expected Credit Losses or "CECL" accounting standards until the end of the national emergency related to the COVID-19 outbreak or December 31, 2020, whichever is sooner.

Temporary Credit Union Liquidity Facility
The CARES Act authorizes the NCUA to establish a Central Liquidity Facility to which credit unions could apply for extensions of credit. To fund the facility, the NCUA may borrow from any source, as long as the total face value of the obligations do not exceed sixteen times the capital stock and surplus of the facility, up from twelve times currently.